

Presentation on the Michigan Catastrophic Claims Association
to the
House Insurance Committee
February 26, 2009

Exhibits

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Financial and Statistical Highlights
Actual Loss Payments by Fiscal Year
Loss Payment Summary by Injury Type
Injury Type Summary
Expected Future Costs by Reserve Component/Discounted Reserves
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Actual and Projected Loss Payments by Fiscal Year
Assessment History

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Auto Club Insurance Assoc.



MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

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BACKGROUND INFORMATION

Organizational History

Michigan Catastrophic Claims Association ("MCCA") was established by Public Act 136 of 1978, which amended the no-fault law by adding Section 3104 effective July 1, 1978. The Legislature created MCCA because smaller insurance companies had difficulty obtaining reinsurance for Michigan's automobile no-fault policies, which provided for unlimited lifetime medical benefits for people who are catastrophically injured in auto accidents.

The MCCA is an unincorporated non-profit association of which every insurer that sells automobile or motorcycle coverage in Michigan is required to be a member.

The MCCA is funded by an annual premium assessment to its member insurance companies based on the number of policies covering automobiles and motorcycles written in Michigan. The MCCA is required to assess an amount each year that is sufficient to cover the lifetime claims of all persons catastrophically injured in that year and in addition, may adjust future assessments for excesses or deficiencies in prior assessments.

These assessments provide funds for the indemnification of those members against ultimate loss sustained under statutory required personal protection insurance in excess of the applicable amount set forth in section 3104(2) of the Michigan Insurance Code. Beginning July 1, 2002, as the result of the enactment of Public Act 3 of 2001, the member retention level increased from \$250,000 to \$300,000 and will then gradually increase on an incremental basis over a ten year period until a \$500,000 level is reached on July 1, 2011. Thereafter, beginning July 1, 2013, the retention will be increased each odd numbered year by 6% or the consumer price index, whichever is less.

Organizational Structure

MCCA is governed by a Board of Directors which consists of five member companies appointed by the Commissioner of Financial and Insurance Regulation. The Commissioner, or his/her representative, serves as an ex officio member of the Board.

The following standing committees provide assistance in the operation of the MCCA: (1) actuarial, (2) audit, (3) claims, (4) investment, and (5) personnel.

A staff of 22 MCCA employees handle the day to day operations and includes:

- Executive Director
- Controller
- Assistant Controller
- Claim Supervisor
- Information System Manager
- 12 Claim Examiners
- Accountant
- Administrative Assistant
- 3 Claim Technicians

MCCA contracts for the following services: (1) actuarial, (2) annual audit by independent accountant, (3) legal, (4) investment consulting and management, and (5) payroll.

Reporting Requirements

MCCA is subject to all the reporting, loss reserve, and investment requirements of the Commissioner to the same extent as would a member company of the Association. MCCA's financial statements are prepared on the basis of statutory accounting practices as prescribed or permitted by the State of Michigan Office of Financial and Insurance Regulation ("OFIR"). The Association's fiscal year is on a June 30 basis.

An annual audit of MCCA's financial statements is conducted by the independent public accounting firm PricewaterhouseCoopers LLP. In addition, pursuant to Section 3104(23) of the Michigan Insurance Code, the commissioner or an authorized representative of the commissioner may visit the association at any time and examine any and all the association's affairs. In the past five years, OFIR had conducted a financial examination of MCCA for the fiscal years ended June 30, 2002 and June 30, 2006.

MCCA Documents Available Online (www.michigancatastrophic.com)

The following MCCA documents are available on MCCA's website:

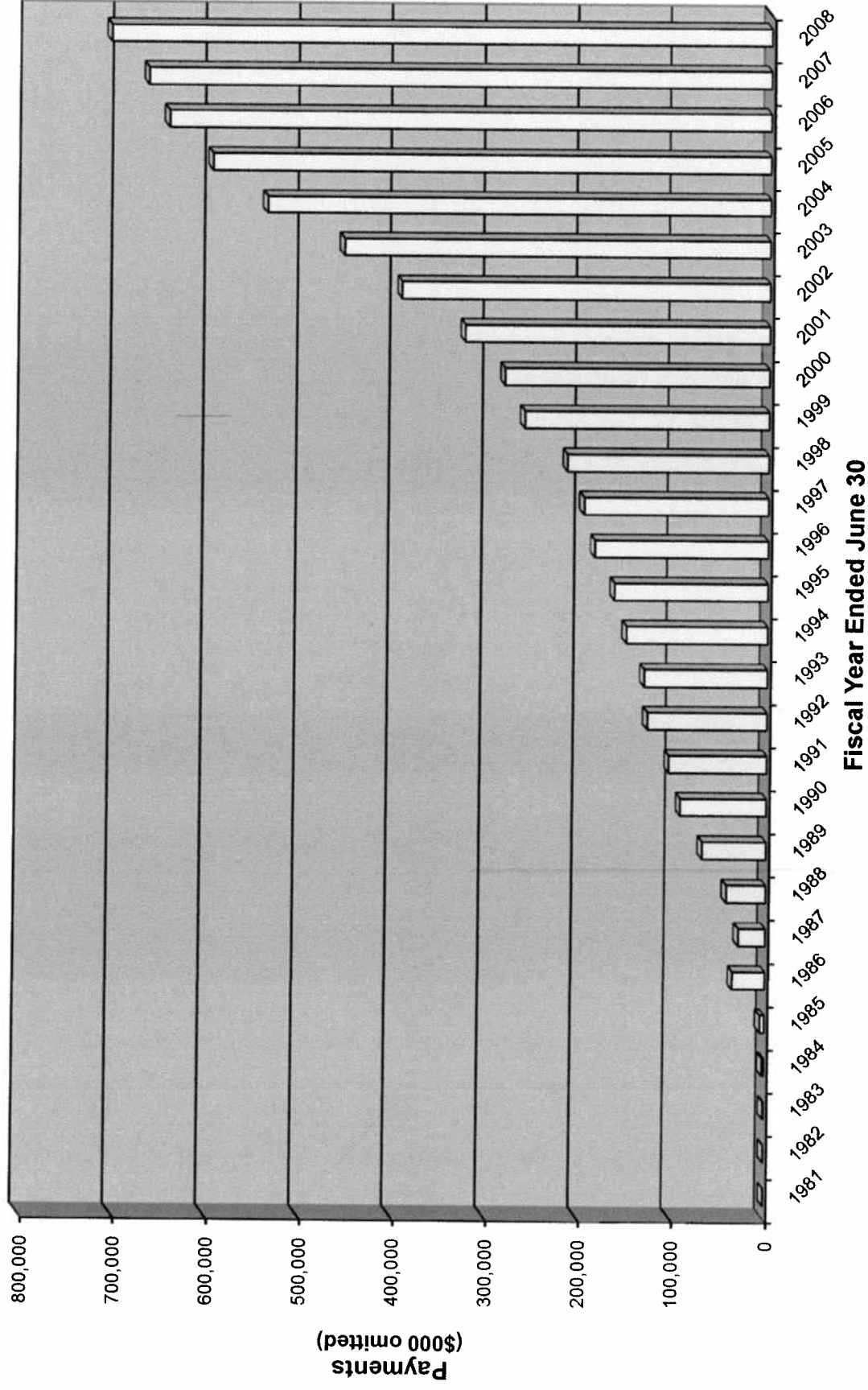
- Background Information
- Annual Statement (3 years)
- Report of Financial Examination issued by MCCA's independent accountant (3 years)
- Assessment History



Michigan Catastrophic Claims Association Financial and Statistical Highlights

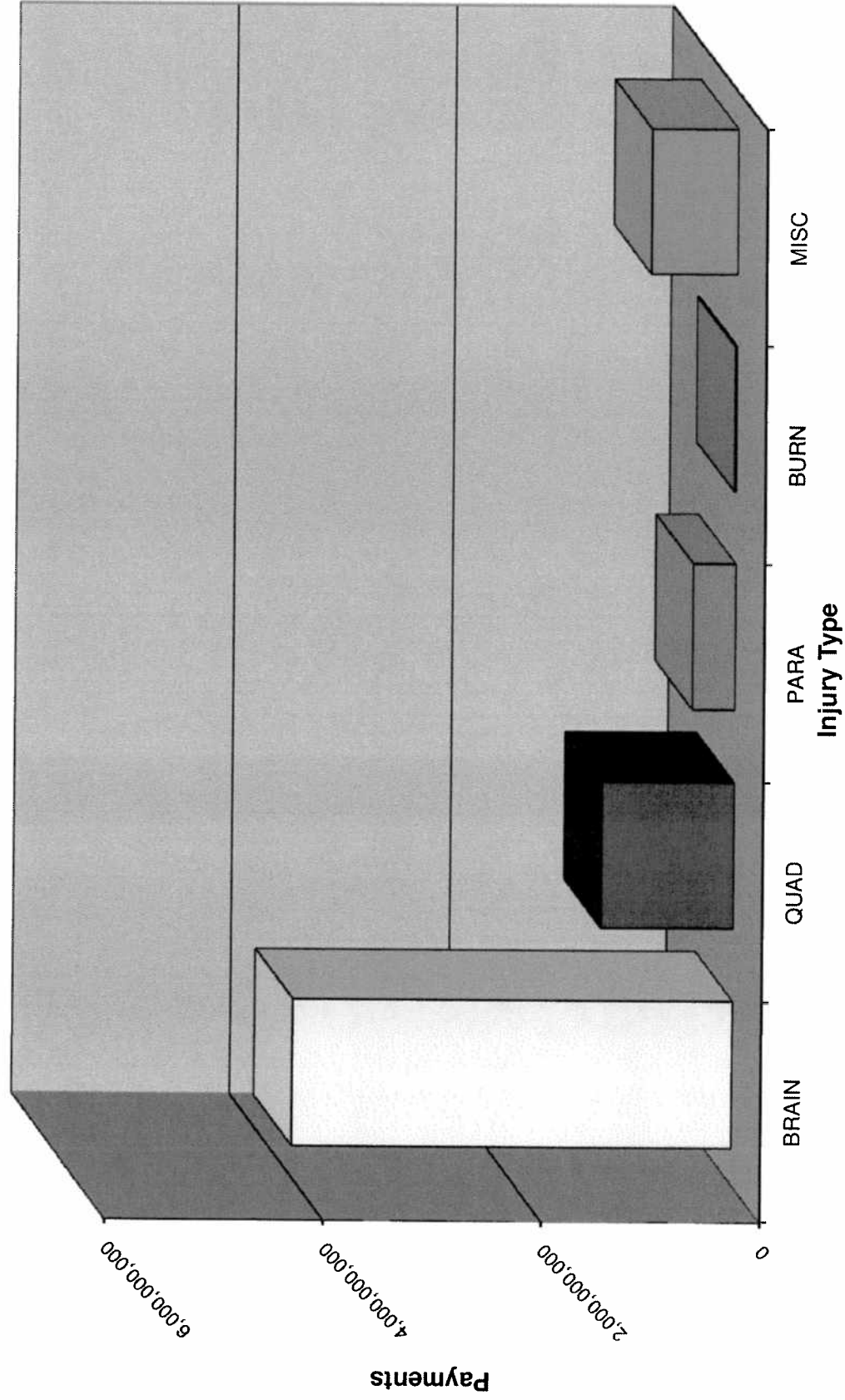
| | Inception to June 30, | | Change |
|---|--------------------------|------------------|-------------------|
| | 2008 | 2007 | |
| Cash and Invested Assets | \$10,866,293,000 | \$10,676,686,000 | \$189,607,000 |
| Total Assets | 10,912,804,000 | 10,725,571,000 | 187,233,000 |
| Total Loss & Loss Adjustment | | | |
| Expense Reserves (discounted basis) | 11,599,345,000 | 11,107,463,000 | 491,882,000 |
| Total Liabilities | 11,820,471,000 | 11,358,221,000 | 462,250,000 |
| Total Deficit | (\$907,667,000) | (\$632,650,000) | (\$275,017,000) |
| Claims Reported | 22,614 | 21,272 | 1,342 |
| Claims Closed | 10,985 | 10,191 | 794 |
| Claims Open | 11,629 | 11,081 | 548 |
| Number of Initial Claims Reimbursed | 9,889 | 9,270 | 619 |
| Amount of Reimbursement: | | | |
| Indemnification | \$6,444,388,000 | \$5,734,825,000 | \$709,563,000 |
| Bill Review Fees | 1,078,000 | \$61,000 | 1,017,000 |
| Total | 6,445,466,000 | 5,734,886,000 | 710,580,000 |
| Undiscounted (gross) Loss Reserves | 61,108,676,000 | 58,158,233,000 | 2,950,443,000 |
| Discounted Loss Reserves | 11,461,767,000 | 10,977,439,000 | 484,328,000 |
| | | | |
| | 12 Months Ended June 30, | | Change |
| | 2008 | 2007 | |
| Assessments Earned | \$884,352,000 | \$975,104,000 | (\$90,752,000) |
| Loss & Loss Adjustment | | | |
| Expenses Incurred (discounted basis) | 1,205,180,000 | 1,116,053,000 | 89,127,000 |
| Other Underwriting Expenses Incurred | 1,012,000 | 1,135,000 | (123,000) |
| Net Underwriting Loss | (321,840,000) | (142,084,000) | (179,756,000) |
| Net Investment Gain | 399,602,000 | 751,025,000 | (351,423,000) |
| Net Income | 77,762,000 | 608,970,000 | (531,208,000) |
| Change in Net Unrealized Gains (Losses) | (356,584,000) | 377,840,000 | (734,424,000) |
| (Increase) Decrease in Deficit | (\$275,017,000) | \$984,303,000 | (\$1,259,320,000) |
| Claims Reported | | | |
| Brain | 596 | 499 | 97 |
| Quad | 24 | 27 | (3) |
| Para | 13 | 27 | (14) |
| Burn | 3 | 2 | 1 |
| Miscellaneous | 706 | 678 | 28 |
| Total | 1,342 | 1,233 | 109 |
| Claims Closed | 794 | 786 | 8 |
| Number of Initial Claims Reimbursed | 619 | 697 | (78) |
| Amount of Reimbursement: | | | |
| Indemnification | \$709,563,000 | \$668,903,000 | \$40,660,000 |
| Bill Review Fees | 1,017,000 | 61,000 | 956,000 |
| Total | 710,580,000 | 668,964,000 | 41,616,000 |
| Average Monthly Reimbursements | \$59,215,000 | \$55,747,000 | \$3,468,000 |

**Michigan Catastrophic Claims Association
Payments Per Fiscal Year
1981 to 2008**



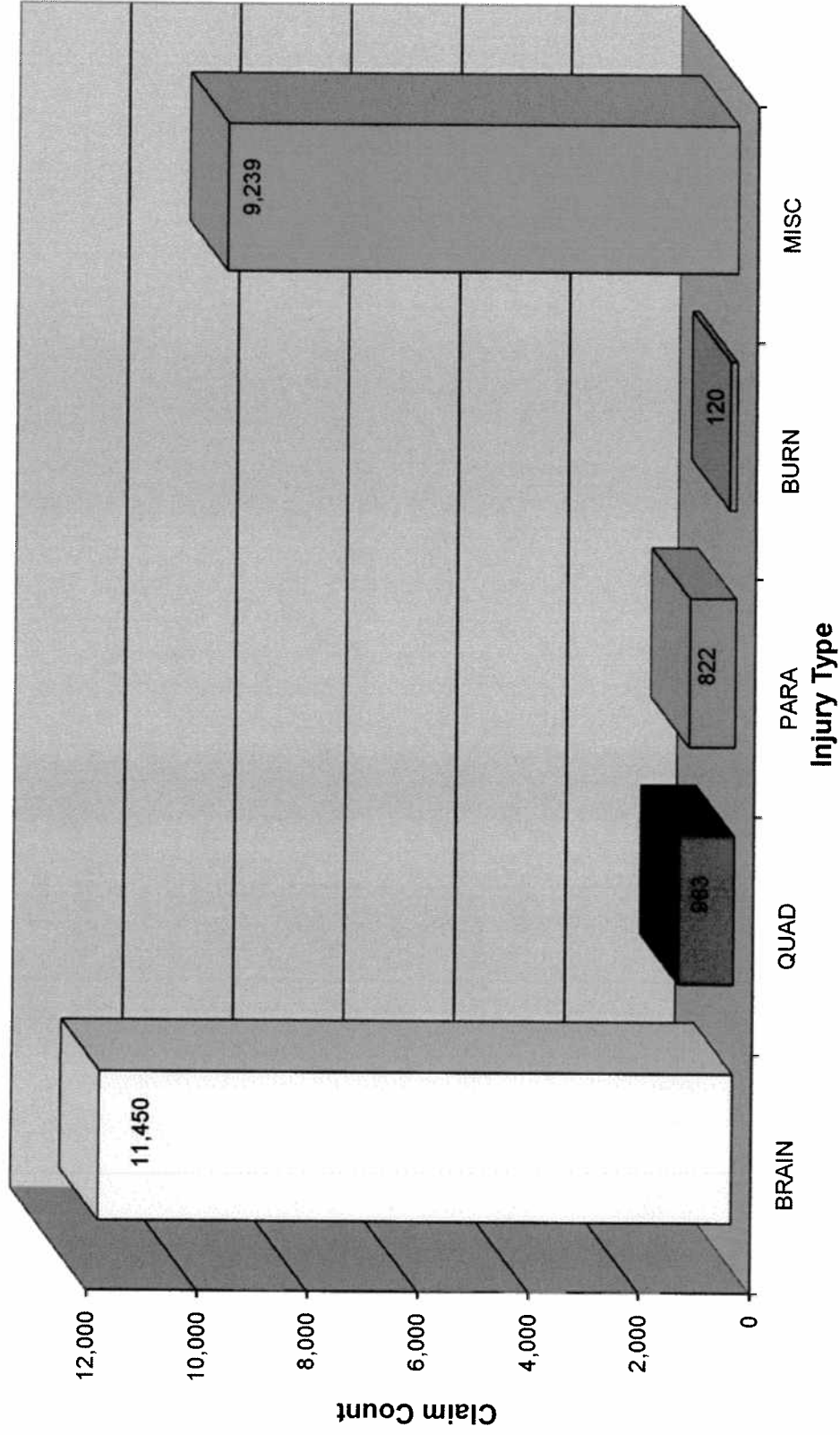
Note: Total amount paid inception to date as of 6/30/2008 is \$6.45 billion.

**Michigan Catastrophic Claims Association
Payment Summary by Injury Type
Inception to Date (as of June 30, 2008)**



Note: Total amount paid inception to date as of 06/30/2008 is \$6.45 billion.

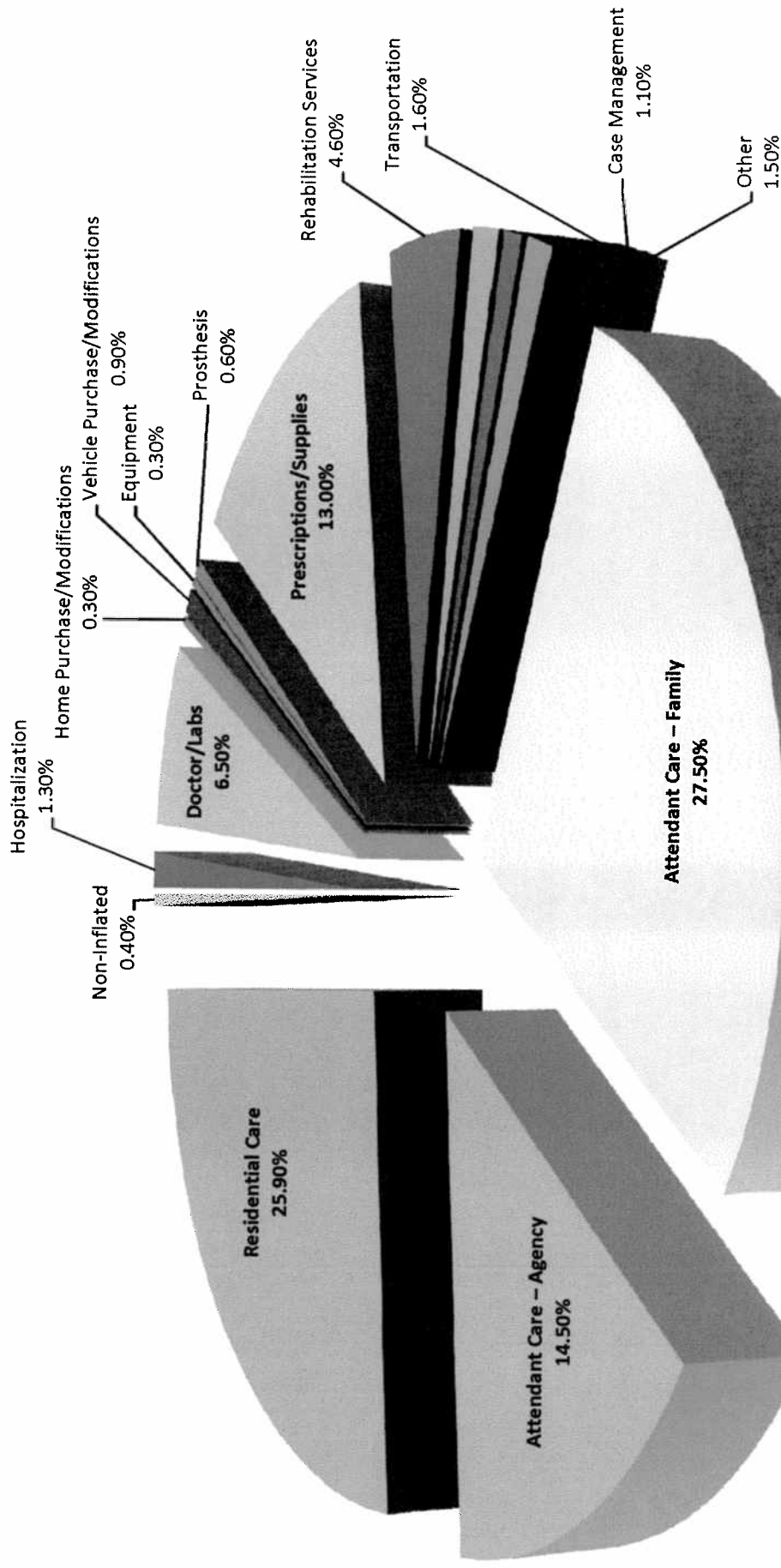
Michigan Catastrophic Claims Association
 Injury Type Summary
 Inception to Date (as of June 30, 2008)



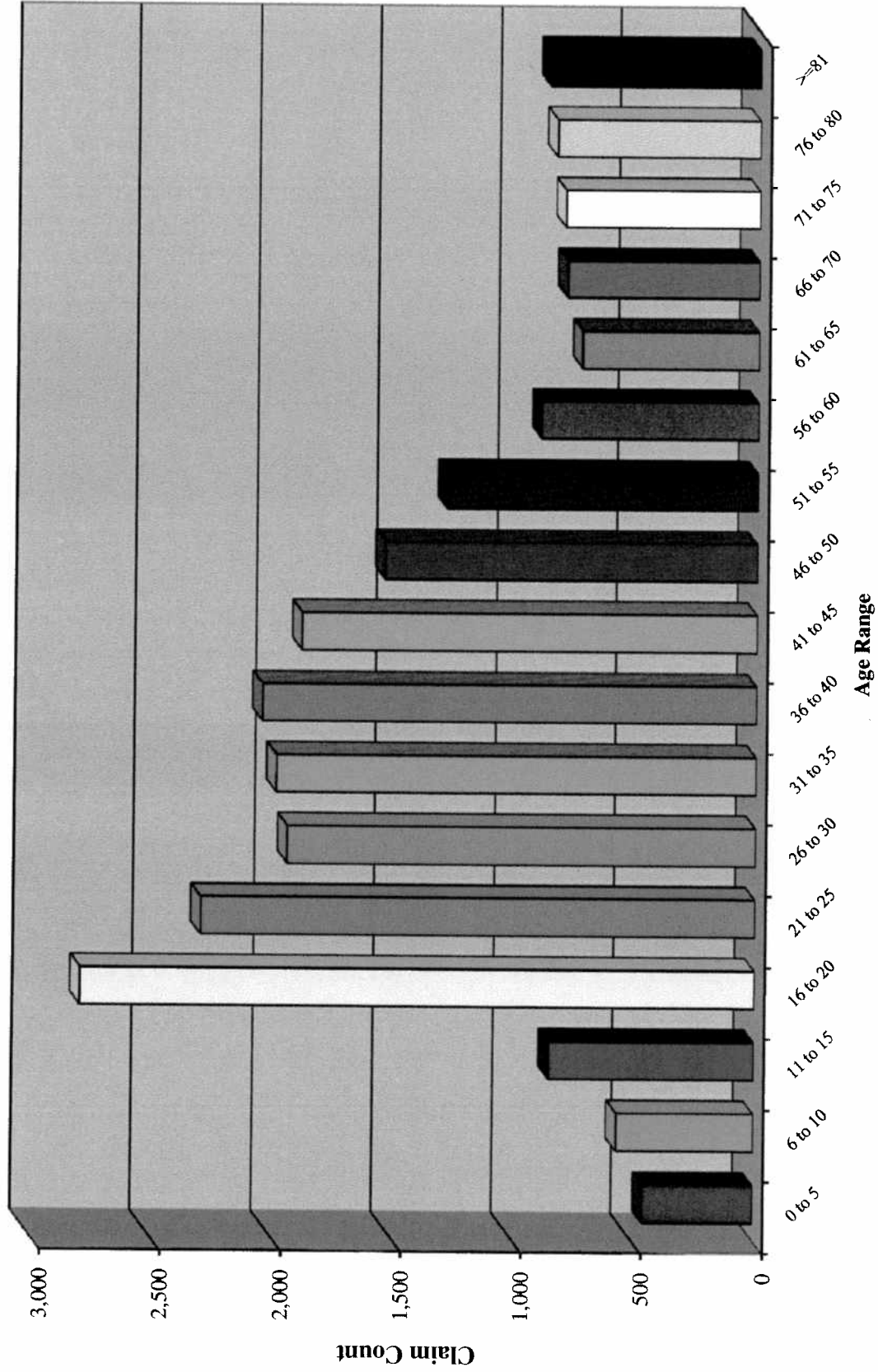
Note: Total claims reported as of June 30, 2008 is 22,614.

MCCA Expected Future Costs by Reserve Component

Discounted Reserves

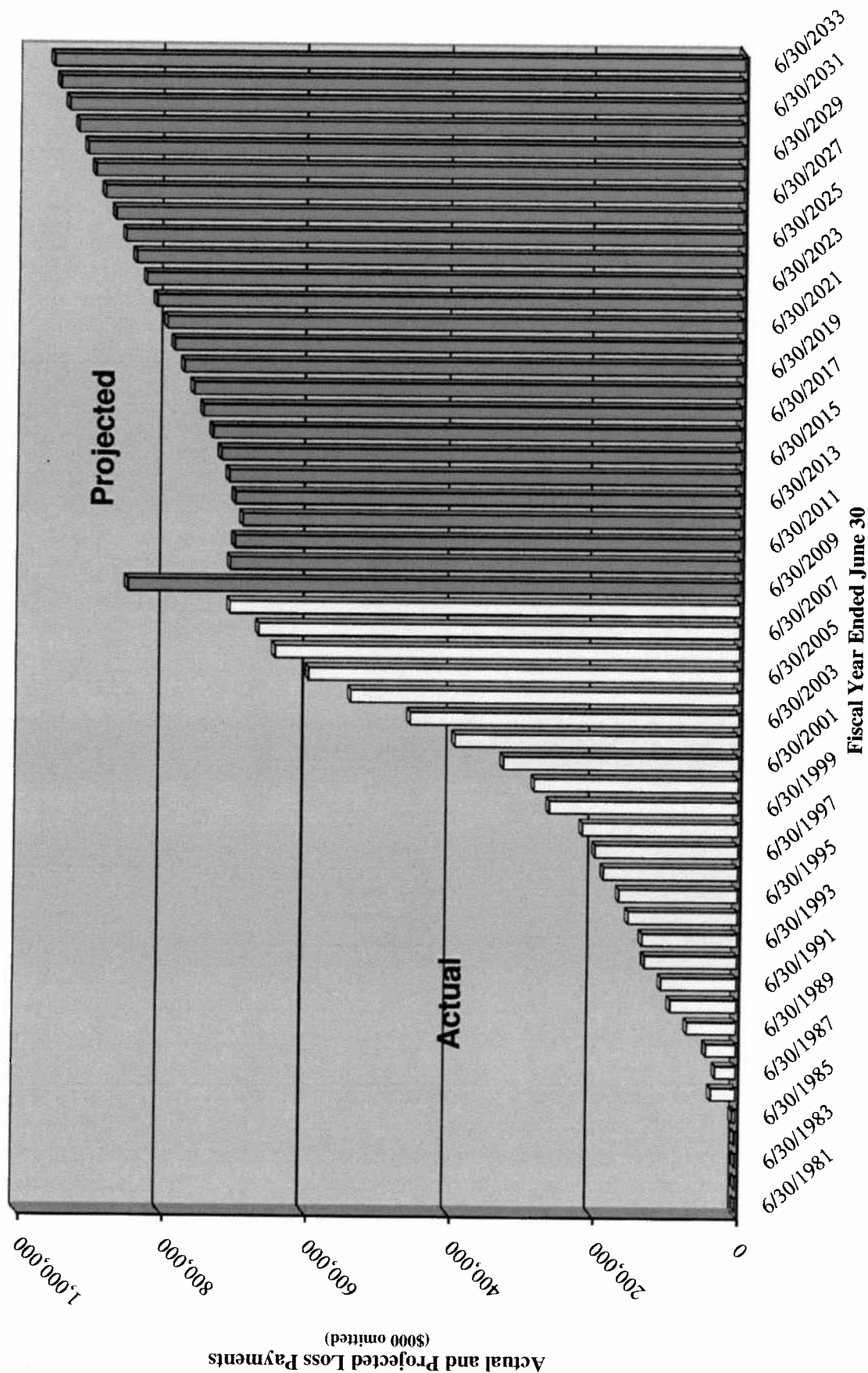


**Michigan Catastrophic Claims Association
Age Distribution Summary
Inception to Date as of June 30, 2008**



Note: Total claims reported as of June 30, 2008 is 22,614. Age at time of occurrence.

Michigan Catastrophic Claims Association
Actual and Projected Loss Payments Per Fiscal Year 1981 to 2033
on Claims Incurred as of June 30, 2008



Note1: Total amount paid inception to date as of 6/30/2008 is \$6.45 billion.

Note2: Total projected losses paid for period 7/1/2008 to 6/30/2033 is \$20.4 billion.



MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION
ASSESSMENT HISTORY
JULY 1, 1978 THROUGH JUNE 30, 2009

| ASSESSMENT NUMBER | PERIOD (1) | MONTHS (2) | ASSESSMENT PER CAR | | | | HISTORICAL VEHICLE 20% X (6) (7) |
|----------------------|------------------------|---------------|------------------------|-------------------------------------|--------------------------|---|---|
| | | | PURE PREMIUM (3) | (SURPLUS) DEFICIT ADJ. (4) | ADMIN. EXPENSE (5) | TOTAL ASSESSMENT (3)+(4)+(5) (6) | |
| 1 | 7-1-78 TO 6-30-79 | 12 | \$3.00 | \$0.00 | \$0.00 | \$3.00 | |
| 2 | 7-1-79 TO 12-31-79 | 6 | 6.28 | 5.40 | 0.00 | 11.68 | |
| 3 | 1-1-80 TO 12-31-80 | 12 | 6.36 | (0.36) | 0.00 | 6.00 | |
| 4 | 1-1-81 TO 12-31-81 | 12 | 7.14 | (0.58) | 0.20 | 6.76 | |
| 5 | 1-1-82 TO 12-31-82 | 12 | 6.64 | (0.81) | 0.10 | 5.93 | |
| 6 | 1-1-83 TO 12-31-83 | 12 | 7.55 | (2.12) | 0.10 | 5.53 | |
| 7 | 1-1-84 TO 12-31-84 | 12 | 8.24 | (2.44) | 0.11 | 5.91 | |
| 8 | 1-1-85 TO 12-31-85 | 12 | 10.55 | 1.40 | 0.10 | 12.05 | |
| 9 | 1-1-86 TO 12-31-86 | 12 | 11.24 | 3.07 | 0.09 | 14.40 | |
| 10 | 1-1-87 TO 12-31-87 | 12 | 15.77 | 6.81 | 0.09 | 22.67 | |
| 11 | 1-1-88 TO 12-31-88 | 12 | 24.41 | 8.10 | 0.09 | 32.60 | |
| 12 | 1-1-89 TO 12-31-89 | 12 | 33.44 | 10.12 | 0.09 | 43.65 | |
| 13 | 1-1-90 TO 12-31-90 | 12 | 48.12 | 18.37 | 0.15 | 66.64 | |
| 14 | 1-1-91 TO 12-31-91 | 12 | 68.33 | 32.50 | 0.17 | 101.00 | |
| 15 | 1-1-92 TO 12-31-92 | 12 | 77.69 | 32.77 | 0.12 | 110.58 | |
| 16 | 1-1-93 TO 12-31-93 | 12 | 90.43 | 28.14 | 0.12 | 118.69 | |
| 17 | 1-1-94 TO 12-31-94 | 12 | 98.71 | 16.89 | 0.12 | 115.72 | |
| 18 | 1-1-95 TO 12-31-95 | 12 | 98.07 | (1.24) | 0.12 | 96.95 | |
| 19 | 1-1-96 TO 12-31-96 | 12 | 87.53 | (15.06) | 0.10 | 72.57 | |
| 20 | 1-1-97 TO 12-31-97 | 12 | 62.03 | (47.19) | 0.10 | 14.94 | |
| 21 | 1-1-98 TO 12-31-98 (1) | 12 | 63.87 | (58.37) | 0.10 | 5.60 | |
| 22 | 1-1-99 TO 12-31-99 | 12 | 56.31 | (50.81) | 0.10 | 5.60 | |
| 23 | 1-1-00 TO 12-31-00 | 12 | 52.30 | (46.79) | 0.09 | 5.60 | |
| 24 | 1-1-01 TO 12-31-01 | 12 | 61.53 | (47.21) | 0.09 | 14.41 | |
| 25 | 1-1-02 TO 6-30-02 | 6 | 71.05 | 0.00 | 0.10 | 71.15 | |
| 26 | 7-1-02 TO 6-30-03 | 12 | 68.90 | 0.00 | 0.10 | 69.00 | |
| 27 | 7-1-03 TO 6-30-04 | 12 | 79.30 | 20.80 | 0.10 | 100.20 | 20.04 |
| 28 | 7-1-04 TO 6-30-05 | 12 | 95.93 | 31.21 | 0.10 | 127.24 | 25.45 |
| 29 | 7-1-05 TO 6-30-06 | 12 | 116.43 | 25.17 | 0.10 | 141.70 | 28.34 |
| 30 | 7-1-06 TO 6-30-07 | 12 | 113.48 | 23.75 | 0.10 | 137.33 | 27.47 |
| 31 | 7-1-07 TO 6-30-08 | 12 | 106.63 | 16.42 | 0.10 | 123.15 | 24.63 |
| 32 | 7-1-08 TO 6-30-09 | 12 | 96.06 | 8.32 | 0.20 | 104.58 | 20.92 |

(1) IN 1998 A RETURN OF SURPLUS OF \$180 PER CAR (\$1.2 BILLION IN TOTAL) WAS MADE

REVISED 03/05/2008